

# Iowa Higher Education Loan Authority



## 2010 Annual Report

*Science Center  
University of Dubuque  
Dubuque, Iowa*



## TABLE OF CONTENTS

Board Letter-----	ii
Authority Members -----	1
Profile of Authority -----	2
Eligible Participating Institutions -----	2
Summary of Financings -----	3-10
Report of Independent Accountants -----	11
Financial Statements -----	12-16
Notes to Financial Statements -----	17-18
List of Colleges and Universities-----	19

# IHELA

December 1, 2010

**The Honorable Chet Culver**

Governor, State of Iowa

**The Honorable Jack Kibbie**

President, Iowa State Senate

**The Honorable Kraig Paulsen**

Speaker of the House

Dear Governor Culver and Distinguished Leaders:

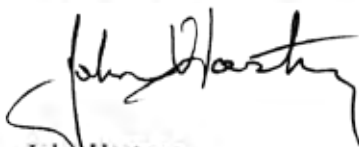
For twenty-eight years the Iowa Higher Education Loan Authority (IHELA) has been serving Iowa's independent not-for-profit colleges and universities by providing affordable financing of facilities and working capital through the issuance of tax-exempt debt on their behalf. It is our privilege to deliver to you the 2010 Annual Report for the Iowa Higher Education Loan Authority. This annual report is submitted in compliance with the Code of Iowa, Chapter 261A.21.

Since its founding in 1982, IHELA has completed 202 stand-alone, Sallie Mae and lease purchase issues totaling \$1,337,117,914 of which \$654,349,487 is outstanding as of June 30, 2009. During the Authority's existence, Iowa's regionally accredited independent not-for-profit private colleges have continued to grow and advance. We believe IHELA plays a significant role in enabling them to remain competitive by providing low cost capital and working capital financings.

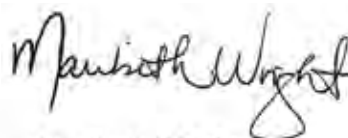
In fiscal year 2010, IHELA issued seven stand-alone financings for facilities on behalf of Maharishi University of Management, William Penn University, Simpson College, Grinnell College and Grand View University in the amount of \$122,645,000. Six institutions participated in the Authority's Revenue Anticipation Note program to obtain short-term cash flow financings. These six institutions collectively borrowed \$25,700,000. The total amount of bonds issued for fiscal year 2010 was \$148,345,000.

IHELA recognizes that the colleges and universities are invaluable assets providing educational, cultural and economic opportunities for all the citizens of the state. It is our desire and goal to continue to be of service to Iowa's independent not-for-profit institutions of higher education. We appreciate the confidence you have placed in us and thank you for the opportunity to serve Iowa independent higher education through these special loan programs.

Respectfully submitted,



John Hartung  
Chairperson



Maribeth Wright  
Executive Director



# AUTHORITY MEMBERS

## BOARD OF DIRECTORS

---

### **John V. Hartung**

#### ***Chairperson***

Mr. Hartung is a resident of Indianola, Iowa. Mr. Hartung is the retired President of the Iowa Association of Independent Colleges and Universities. His current term expires April 30, 2015.

### **Janet Piller**

#### ***Vice-Chairperson***

Ms. Piller is a resident of Urbandale, Iowa. Ms. Piller is a self employed Insurance Agent. Her current term expires April 30, 2014.

### **Stephanie Savage**

#### ***Treasurer***

Ms. Savage is a resident of Dubuque, Iowa. Ms. Savage is a civic leader in the Dubuque community. Her current term expires April 30, 2016.

### **Dennis Barnum**

#### ***Secretary***

Mr. Barnum is a resident of Gowrie, Iowa. Mr. Barnum is retired and currently President of IADP (Iowans Against the Death Penalty). His current term expires April 30, 2011.

### **Dennis Houlihan**

#### ***Assistant-Secretary***

Mr. Houlihan is a resident of Dubuque, Iowa. Mr. Houlihan is a Financial Consultant with Wells Fargo Advisors. His current term expires April 30, 2012.

---

### **STAFF**

Maribeth Wright  
Executive Director

### **LEGAL COUNSEL**

Davis, Brown, Koehn, Shors & Roberts, P.C.

### **INDEPENDENT AUDITORS**

Shull & Co., P.C.

### **FINANCIAL ADVISOR**

Will B. Tschudy

### **BOND COUNSEL**

Ahlors & Cooney, P.C.  
Davis, Brown, Koehn Shors & Roberts, P.C.  
Dorsey & Whitney, LLP.  
Gilmore & Bell, P.C.

### **TRUSTEES**

American National Bank & Trust Co.  
Bankers Trust Company, N.A.  
U.S. Bank N.A.  
Wells Fargo Bank, N.A.  
First National Bank of Muscatine

# IOWA HIGHER EDUCATION LOAN AUTHORITY

## Profile of the Authority

The Iowa Higher Education Loan Authority (the Authority) was created by the State Legislature in 1982 under the provisions of Chapter 261A, as a body politic and corporate of the State of Iowa. All obligations incurred by the Authority are exclusively those of the Authority and do not place an obligation on, or have the guarantee of, the State of Iowa. All administrative expenses of the Authority are paid from funds provided through the operation of its programs. The Authority has never received any appropriations from the State of Iowa. The Bonds issued are special and limited obligations of the Authority and do not represent, constitute or create an obligation, general or special, or debt, liability or moral obligation of the State or any political subdivision of the State within the meaning of any constitutional or statutory limitation.

The Authority was established for the purpose of financing education loans for regionally accredited independent institutions of higher education through the investment of private capital (Code of Iowa, Chapter 261A.1). In 1985, the Legislature expanded the function of the Authority to provide for loans to finance the acquisition, construction and renovation of needed educational facilities, structures and equipment, and to refund, refinance, or reimburse outstanding indebtedness incurred by eligible Iowa independent institutions (Code of Iowa, Chapter 261A.32). In 1997, the Legislature amended and expanded the function of the Authority for a project that is to be leased by the authority to an institution and to provide for loans in anticipation of the receipt of tuition by an institution. The Legislature also removed a restriction that IHELA shall not have outstanding at any one time obligations issued in an aggregate principal amount exceeding one hundred fifty million dollars (Code of Iowa, Chapter 261A.34). In 2000, the legislature amended Chapter 261A to provide that interest on obligations issued by the Authority is exempt from state income tax and to authorize the Authority to finance facilities that will be leased to institutions by a third party.

The Authority is empowered to issue tax-exempt revenue bonds and to make the proceeds available in low-interest loans to eligible institutions for the purposes stated above.

A Board of five members who are appointed by the Governor of the State and are subject to confirmation by the Senate governs the Authority. Members must be residents of Iowa and no more than three may be members of the same political party or gender. Appointments are made for six-year terms. The State Treasurer serves as an ex-officio member of the Authority.

## Eligible Participating Institutions

An eligible institution means a nonprofit educational institution located in Iowa not owned or controlled by the state or any political subdivision, agency, instrumentality, district, or city of the state, which is authorized by law to provide a program of education beyond the high school level and which meets all of the following requirements:

- a) Admits as regular students only individuals having a certificate of graduation from high school, or the recognized equivalent of such a certificate.
- b) Provides an educational program for which it awards a baccalaureate degree; or provides an educational program which conditions admission upon the prior attainment of a baccalaureate degree or its equivalent, for which it awards a post-graduate degree; or provides not less than a two-year program which is acceptable for full credit toward a baccalaureate degree, or offers not less than a two year program in engineering, mathematics, or the physical or biological sciences which is designed to prepare the student to work as a technician and at a semiprofessional level in engineering, scientific, or other technological fields which require the understanding and application of basic engineering, scientific, or mathematical principles or knowledge.
- c) Is accredited by a nationally recognized accrediting agency or association or, if not accredited, is an institution whose credits are accepted, on transfer, by not less than three institutions which are accredited.
- d) Does not discriminate in the admission of students on the basis of age, race, creed, color, sex, national origin, religion, or disability.
- e) Has a governing board which possesses its own sovereignty.
- f) Has a governing board, or delegated institutional officials, which possess final authority in all matters of local control, including educational policy, choice of personnel, determination of program, and financial management

# IOWA HIGHER EDUCATION LOAN AUTHORITY

## Participating Colleges & Universities

---

The private colleges' and universities' goal is to provide a value-oriented educational experience to students who seek and adhere to similar values and goals. To these private colleges and universities, education is a process of growth from knowledge to wisdom. Independent colleges and universities play an important and unique role in the educational community and each individual local community. The communities these institutions serve reap many cultural as well as economic benefits. Following is a description of the bond issues which IHELA has floated to provide loan funds for the students, private colleges and universities in Iowa. These funds have been used to enable students to attend the educational institution of their choice and for the enhancement of the campus facilities of these institutions. This investment is keeping these institutions on the edge of the educational process, helping to make education in Iowa among the best in the nation.

## Fiscal Year 2010 Issues:

---

### **Maharishi University of Management Revenue Anticipation Note**

- ✦ Issued July 2009 in the amount of \$3,855,000. The bond provides funds to make working capital and a capital project loan to an educational institution participating in the program.

### **William Penn University**

- ✦ Issued October 2009 in the amount of \$10,350,000 Taxable Series 2009A and \$1,150,000 Series 2009B. The bonds will be used to refinance interim indebtedness incurred to finance the construction of (a) the PAC, a multipurpose building with facilities for classrooms, offices, athletics and student recreation, and (b) the Musco Technology Center, which includes industrial technology labs, classrooms, film studios, editing bays and offices for the technology program.

### **William Penn University Revenue Bond Anticipation Notes**

- ✦ Issued November 2009 in the amount of \$11,500,000 Series 2009C. The bonds will be used for reimbursement to the University for costs incurred for the construction, improving and equipping of the PAC, a multipurpose building with facilities for classrooms, offices, athletics and student recreation, and the Musco Technology Center, which includes industrial technology labs, classrooms, film studios, editing bays and offices for the technology program.

### **Simpson College Special Project Revenue Obligations**

- ✦ Issued November 2009 in the amount of \$12,100,000. The bonds will be used for financing the construction, improving and equipping of an addition to Blank Theatre and various renovations and improvements to Buxton Hall, Clinton Apartments, McNeil Hall, Hillman Hall, Pfeifer Hall, the College HVAC System, athletic facilities, various parking facilities, and various energy conservation projects and refinancing other debt issues.



**Maharishi University of Management**

- ✦ Issued February 2010 in the amount of \$9,390,000. The bonds will be used for financing or refinancing the construction, improving and equipping of the Sustainable living Center which includes classrooms, labs and faculty offices and the Argiro Student Center which includes a dining hall, kitchen, book store, 200-seat auditorium, cafe, student lounge, recreation room and student mailboxes and finance various renovation and energy improvement projects.

**Grinnell College**

- ✦ Issued March 2010 in the amount of \$58,905,000. The bonds will be used to pay the costs of advance refunding the outstanding Private College Facility Variable Rate Demand Revenue Bonds, Series 2001 and financing a portion of the costs of constructing and equipping certain athletic facilities on the campus including a new field house with indoor track facilities, tennis courts an indoor swimming pool and other athletic facilities.

**Revenue Anticipation Notes – Private Education working Capital Loan Program**

- ✦ Series A, B, C, D, E, F AND G Issued May 2010 in the amount of \$25,700,000. The bonds provide funds to make working capital and capital project loans to educational institutions participating in the program.

**Grand View University**

- ✦ Issued, June 2010 in the amount of \$15,395,000. The bonds will be used to finance the acquisition, construction, improving and equipping of land and a new student residence hall containing approximately 64 suite-style rooms on four floors; 222 additional parking spaces and other parking lot and campus improvements.

## CONDUIT/STAND-ALONE BOND ISSUES

### Prior Years' Issues:

<u>Date Issued</u>	<u>Institution</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
April, 1991	Briar Cliff College	\$750,000	0
April, 1992	Upper Iowa University	\$1,030,000	0
September, 1993	Palmer College of Chiropractic Med.	\$600,000	0
September, 1993	Mount Saint Clare College	\$19,000	0
October, 1995	Drake University	\$950,000	0
July, 1996	William Penn	\$882,653	0
November, 1996	Iowa Wesleyan College	\$569,640	0
April, 1998	Mount Mercy College	\$175,000	0
February, 1995	St. Ambrose University	\$6,200,000	0
May, 1995	University Of Osteopathic Medicine	\$15,000,000	0
February, 1996	St. Ambrose University	\$4,675,000	\$855,000
July, 1996	Grinnell College	\$12,000,000	0
December, 1996	Loras College	\$8,915,000	0
February, 1997	St. Ambrose University	\$2,575,000	0
April, 1997	Palmer College of Chiropractic Med.	\$12,695,000	\$8,680,000
October, 1997	Luther College	\$10,445,000	0
June, 1998	AIB College of Business	\$4,030,000	\$4,030,000
July, 1998	RAN Note Program	\$9,500,000	0
August, 1998	Central College	\$20,320,000	0
February, 1999	Maharishi International University	\$4,500,000	0
May, 1999	RAN Note Program	\$11,725,000	0
July, 1999	Mt. Mercy College	\$5,495,000	0
September, 1999	Waldorf College	\$12,000,000	0
October 1999	St. Ambrose University	\$12,595,000	0
November, 1999	Briar Cliff University	\$9,000,000	0
March, 2000	Iowa Wesleyan College	\$4,000,000	0
March, 2000	Wartburg Theological Seminary	\$9,420,000	0
May, 2000	RAN Note Program	\$20,115,000	0
October, 2000	Grand View College	\$7,500,000	0
October, 2000	Maharishi International University	\$1,500,000	0



<b><u>Date Issued</u></b>	<b><u>Institution</u></b>	<b><u>Amount Issued</u></b>	<b><u>Amount Outstanding</u></b>
November, 2000	Loras College	\$20,450,000	\$20,450,000
May, 2001	Central College	\$42,910,000	\$36,685,000
May, 2001	RAN Note Program	\$33,630,000	0
November, 2001	Cornell College	\$10,000,000	0
December, 2001	Grinnell College	\$50,000,000	0
December, 2001	Buena Vista University	\$7,605,000	\$1,905,000
February, 2002	Loras College	\$5,000,000	\$5,000,000
May, 2002	RAN Note Program	\$30,880,000	0
July, 2002	Mt. Mercy College	\$3,595,000	0
July, 2002	Wartburg College	\$50,000,000	0
September, 2002	Luther College	\$15,000,000	\$14,060,000
December, 2002	Buena Vista University	\$9,600,000	\$2,880,000
February, 2003	Graceland University	\$15,900,000	\$15,900,000
April, 2003	St. Ambrose University	\$37,795,000	\$37,795,000
May, 2003	Buena Vista University	\$1,000,000	0
June, 2003	Des Moines University	\$22,700,000	\$20,570,000
May, 2003	RAN Note Program	\$31,800,000	0
May, 2004	Buena Vista University	\$1,040,000	0
May, 2004	Waldorf College	\$6,015,000	0
May, 2004	RAN Note Program	\$23,695,000	0
May, 2004	University of Dubuque	\$13,200,000	\$9,935,000
June, 2004	Buena Vista University	\$2,250,000	0
June, 2004	Des Moines University	\$13,785,000	\$11,105,000
February, 2005	Simpson College	\$12,140,000	\$12,140,000
May, 2005	William Penn University	\$11,500,000	\$10,995,000
May, 2005	RAN Note Program	\$25,200,000	0
December, 2005	Wartburg College	\$87,725,000	\$87,355,000
May, 2006	Iowa Wesleyan College	\$5,750,000	\$5,365,000
May, 2006	RAN Note Program	\$31,170,000	0
June, 2006	Buena Vista University	\$2,400,000	0
September, 2006	William Penn University	\$8,000,000	\$8,000,000
September, 2006	Grand View College	\$27,000,000	\$27,000,000
October, 2006	Cornell College	\$6,940,000	\$6,940,000
October, 2006	Loras College	\$22,035,000	\$19,560,000
January, 2007	Waldorf College	\$14,810,000	0
April, 2007	University of Dubuque	\$34,700,000	\$29,700,000

<u>Date Issued</u>	<u>Institution</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
May, 2007	Buena Vista University	\$7,870,000	\$7,870,000
May, 2007	RAN Note Program	\$30,710,000	0
April, 2008	St. Ambrose University	\$20,000,000	\$20,000,000
April, 2008	Buena Vista University	\$2,500,000	\$1,586,725
May, 2008	RAN Note Program	\$29,465,000	0
June, 2008	Cornell College	\$11,695,000	\$11,695,000
June, 2008	Grinnell College	\$60,000,000	\$60,000,000
December, 2009	Luther College	\$11,000,000	\$11,000,000
May, 2009	RAN Note Program	\$38,500,000	0
July, 2009	Maharishi University RAN Note	\$3,855,000	0
October, 2009	William Penn University	\$11,500,000	\$11,500,000
November, 2009	William Penn University Note	\$11,500,000	11,500,000
February, 2010	Maharishi University of Management	\$9,390,000	\$9,390,000
March, 2010	Grinnell College	\$58,905,000	\$58,905,000
May, 2010	RAN Note Program	\$25,700,000	\$25,700,000
June , 2010	Grand View University	\$15,395,000	\$15,395,000
<b>Totals</b>		<b><u>\$1,301,510,000</u></b>	<b><u>\$653,546,725</u></b>

## STUDENT LOAN PROGRAMS

### **\$11,350,000 Variable Rate Education Loan Revenue Bonds -- Series 1984**

The Iowa Higher Education Loan Program began operation in 1984 with the sale of \$11,350,000 in tax-exempt bonds. This program offered loans to students enrolled at twelve of the private institutions in the State and was designed to supplement other types of financial aid.

The program distributed over \$1,000,000 in loans and was able to help 296 students who chose to attend an Iowa private college. The bonds of this issue were redeemed and paid on July 1, 1999.

Listed below are the Iowa independent colleges and universities that participated in the loan program and the total number of student loans made by institution.

Buena Vista College	52 Loans	\$ 146,019.27
Central College	21 Loans	\$ 83,475.96
Clarke College	30 Loans	\$ 107,739.03
Coe College	13 Loans	\$ 47,556.17
Drake University	21 Loans	\$ 85,406.41
Luther College	24 Loans	\$ 108,190.36
St. Ambrose University	18 Loans	\$ 77,165.77
Simpson College	70 Loans	\$ 218,459.91
University of Dubuque	17 Loans	\$ 71,711.22
Wartburg College	28 Loans	\$ 111,165.77
Westmar University	2 Loans	\$ 4,491.98

### **\$1,100,000 Student Loan Revenue Bonds – Series 1990**

In 1990 the Iowa Higher Education Loan Authority issued \$1.1 million in Student Loan Revenue Bonds. The program distributed \$920,416 in loans and assisted 454 students who chose to attend an Iowa private college.

An individual was allowed to borrow up to \$6,000 per year. The loan rate was fixed at 9% with a 10 year amortization. All loans were backed 100% by the participating college. The bonds of this issue were redeemed and paid on March 1, 2003.

Listed below are the colleges that participated in the loan program and the total number and amount of student loans made by the institution.

Clarke College	11 Loans	\$ 48,290
Mount Saint Clare College	46 Loans	\$ 77,675
Simpson College	281 Loans	\$ 504,451
Wartburg College	116 Loans	\$ 300,000



## FACILITIES LOAN PROGRAMS

### \$70,000,000 Private College Facilities Revenue Bonds -- Series 1985

Briar Cliff College  
 Briar Cliff College (II)  
 Buena Vista College  
 Buena Vista University  
 Central College (I)  
 Central College (II)  
 Clarke College  
 Coe College  
 Cornell College  
 Dordt College  
 Faith Baptist Bible College  
 Grand View College (I)  
 Grand View College (II)  
 Iowa Wesleyan College (I)  
 Iowa Wesleyan College (II)  
 Loras College (I)  
 Loras College (II)  
 Loras College (III)  
 Luther College  
 Maharishi University of Management  
 Maharishi University of Management  
 Marycrest International University  
 Morningside College (I)  
 Morningside College (II)  
 Mount St. Clare College  
 Palmer College of Chiropractic (I)  
 Palmer College of Chiropractic (II)  
 St. Ambrose University (I)  
 St. Ambrose University (II)  
 St. Ambrose University (III)  
 Simpson College (I), (II), (III), (IV), (V),  
 (VI), (VII), (VIII), (IX)  
 University of Dubuque (I)  
 University of Dubuque (II)  
 University of Dubuque (III)  
 Upper Iowa University (I)  
 Upper Iowa University (II)  
 Waldorf College (I)  
 Waldorf College (II)  
 Wartburg College (I)  
 Wartburg College (II)  
 Wartburg College (III)  
 Wartburg Theological Seminary (I)  
 Wartburg Theological Seminary (II)  
 Wartburg Theological Seminary (III)  
 Wartburg Theological Seminary (IV)

The Iowa Higher Education Facilities Loan Program, which began operations in December 1985, with the sale of \$70,000,000 in tax-exempt bonds, has assisted twenty-five institutions in obtaining the financing needed for facilities' projects. This program offered facility loans to Iowa's independent colleges and universities for new construction, refinancing existing facility's debt, renovations, equipment purchase, energy conservation, acquisition of buildings, and reimbursement of facilities' expenditures incurred over the past three years. On June 30, 2009, \$120,037,066 in loan funds had been disbursed to the private institutions.

The \$70,000,000 in tax-exempt bonds allowed for a \$58,000,000 loan pool from which the institutions could borrow. A debt service reserve fund of \$10,500,000 was established; and \$1,500,000 (or 2% of the issue) was allocated to cover the cost of issuance.

The issuance costs were recovered through program investments and making of loans. The earnings from the program's investments were credited to the participating institutions. The unique feature of the program's revolving funds, which built with the principal repayment of loans, allowed facilities funds to be available for future needs.

The terms for repayment were based on the nature of the project being financed, with a maximum term of ten years. Loan repayments included principal and interest plus a program expense component that was paid monthly beginning one month after the institution received its loan proceeds. The interest on the loans was based on the variable weekly bond rate set by JP Morgan, the program's remarketing agent.

Due to the downgrade of MBIA Insurance Corporation by both Standard & Poor's and Moody's, the borrowers in the 1983 Pool program elected their option to pay in full their current loans (See Note 5 Bonds Payable). In July, The Authority redeemed \$1,000,000 of the Series 1985 bonds that had been optionally tendered. On August 19, 2008 the Authority exercised its Optional Redemption rights per section 9.01 (c)(1) of the Indenture of Trust dated December 17, 1985. The amount redeemed was \$13,800,000 bringing the balance of the Series 1985 Bonds to \$17,200,000. On October 1, 2008 the Authority exercised its Optional Redemption rights per section 9.01 (c)(1) of the Indenture of Trust on the remaining bonds outstanding for the Series 1985 Bonds. The bonds were paid in full. The Trustee is holding \$11,196 awaiting resolution of proper distribution of the funds (See Note 3 Cash Held By Trustee).

## FACILITIES LOAN PROGRAMS

### SALLIE MAE PROGRAM

The IHELA Statewide Sallie Mae Program has been a valuable service to the colleges. Listed below are the institutions that participated in the program and their loan amounts.

<u>Institution</u>	<u>Date Issued</u>	<u>Amount Issued</u>
Drake University	February, 1992A	\$ 4,075,000
Drake University	February, 1992B	\$ 3,600,000
Loras College	April, 1992	\$ 3,500,000
Coe College	June, 1992	\$ 2,000,000
Graceland College	December, 1993	\$ 5,850,000
Drake University	March, 1994	\$ 1,840,000
Coe College	November, 1994	\$ 1,150,000
<b>Total</b>		<b><u>\$22,015,000</u></b>

### LEASE PURCHASE PROGRAM

The IHELA Lease Purchase Program is another financing option for the Iowa colleges. The Private College Lease Program was designed to help finance fungible assets, such as computers, software, telephone systems, fiber optics, or other assets with a short capital life. Listed below are the institutions that have participated in the program and their loan amounts.

<u>Institution</u>	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Outstanding</u>
Briar Cliff College	February, 1994	\$ 500,000	
University of Dubuque	October, 1994	\$ 141,152	
Briar Cliff College	May, 1995	\$ 719,183	
Faith Baptist Bible College	February, 1997	\$400,000	
Wartburg College	March, 1997	\$1,168,500	\$223,352
Coe College	April, 1997	\$530,000	
Waldorf College	June, 1997	\$510,000	
Grand View College	July, 1997	\$510,000	
Briar Cliff College	July, 1997	\$744,900	
Mt. Mercy College	July, 1998	\$408,000	
Clarke College	July, 1998	\$159,886	
Wartburg Theological Seminary	August, 2000	\$375,000	
University of Dubuque	February, 2001	\$1,200,000	\$579,410
Grand View College	August, 2004	\$1,250,000	
<b>Totals</b>		<b><u>\$8,616,621</u></b>	<b><u>\$802,762</u></b>

Since its founding in 1982, IHELA has completed 202 stand-alone, Sallie Mae and lease purchase issues totaling \$1,337,117,914 of which \$654,349,487 is outstanding as of June 30, 2010.



**Shull**  
**and Co. P.C.**  
certified public accountants

INDEPENDENT AUDITOR'S REPORT

Members of the Authority  
Iowa Higher Education Loan Authority

We have audited the accompanying statement of net assets of each major fund of Iowa Higher Education Loan Authority (the Authority), a component unit of the State of Iowa, as of June 30, 2010 and the related statements of revenues, expenses, and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each major fund of the Authority as of June 30, 2010 and the respective revenues, expenses, and changes in net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 and 3 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Shull & Co., P.C.*

July 30, 2010

1111 North Jefferson  
Indianola, Iowa 50125  
515-961-2571 • Fax 515-961-4253

205 South Main Street  
Osceola, Iowa 50213  
641-342-2611 • Fax 641-342-2746



# IOWA HIGHER EDUCATION LOAN AUTHORITY

## Management Discussion & Analysis June 30, 2010

### General Overview of Financial Statements

The three basic statements presented within the financial report are as follows:

- Statement of Net Assets – This statement presents information reflecting the Authority's assets, liabilities, and net assets. Net assets represent the amount of total assets less total liabilities. The Statement of Net Assets is categorized as current and noncurrent assets and liabilities. For the purposes of the financial statements, current assets and liabilities are those assets and liabilities with immediate liquidity or which are collectible or becoming due within one year of the statement date.
- Statement of Revenues, Expenses and Changes in Net Assets – This statement reflects the operating revenue and expenses during the year. Operating revenue is from administrative fees charged to colleges and universities. The change in net assets for an enterprise fund is similar to net profit or loss for any other business enterprise.
- Statement of Cash Flows – This statement is presented on the direct method of reporting which reflects cash flows from operating and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash for the year.

The following summarizes the financial position and results of operations of the Authority for the years ended June 30, 2010 and 2009.

ASSETS		2010	2009
Current Assets	\$	1,346,015	1,367,801
Noncurrent Assets		1,045	1,450
Total Assets	\$	1,347,060	1,369,251
LIABILITIES & NET ASSETS			
Current Liabilities	\$	4,287	15,309
Noncurrent Liabilities		-	-
Total Liabilities		4,287	15,309
Total Net Assets	\$	1,342,773	1,353,942
OPERATING EXPENSES & REVENUES			
Total Operating Revenues	\$	198,792	599,297
Total Operating Expenses		209,961	1,313,947
Operating Income (loss)	\$	(11,169)	(714,650)

## IOWA HIGHER EDUCATION LOAN AUTHORITY

### Management Discussion & Analysis (continued) June 30, 2010

Fiscal Year 2010 saw the Iowa Higher Education Loan Authority issue 14 separate conduit bond financings totaling \$148,345,000. This level of business generated operating revenue totaling \$198,772 (\$17,782 or 10% more than FY 2009). IHELA continued its investment in additional financing programs and support services for the private not-for-profit Iowa institutions during the fiscal year, including the benchmarking service that provided an in-depth analysis of 30 key ratios for participating institutions. Eighteen institutions participated in the benchmarking program and IHELA partnered once again with Baker Tilly Virchow Krause & Co. to complete the project. IHELA covered 2/3 of the participation costs for each institution (\$15,970 total). Overall operating expenses totaled \$209,961 (\$8,238 or 4% increase from FY 2009).

# IOWA HIGHER EDUCATION LOAN AUTHORITY

## Statement of Net Assets June 30, 2010

Assets	General Fund
Current assets:	
Cash and investments	\$ 1,342,888
Accrued interest receivable	<u>3,127</u>
Total current assets	<u>1,346,015</u>
Noncurrent assets:	
Capital assets less accumulated depreciation	<u>1,045</u>
Total assets	<u><u>\$ 1,347,060</u></u>
Liabilities	
Current liabilities:	
Accounts payable and accrued expenses	\$ <u>4,287</u>
Total current liabilities	<u><u>\$ 4,287</u></u>
Net Assets	
Invested in capital assets	\$ 1,045
Unrestricted	<u>1,341,728</u>
Total net assets	<u><u>\$ 1,342,773</u></u>

See accompanying notes to financial statements.



# IOWA HIGHER EDUCATION LOAN AUTHORITY

## Statement of Revenues, Expenses, and Changes in Net Assets Year ended June 30, 2010

	<u>General Fund</u>
Operating revenues:	
Interest income	\$ 20,203
Other	<u>178,589</u>
Total operating revenues	<u>198,792</u>
Operating expenses:	
General and administrative	<u>209,961</u>
Operating loss	(11,169)
Net assets at beginning of year	<u>1,353,942</u>
Net assets at end of year	<u><u>\$ 1,342,773</u></u>

See accompanying notes to financial statements.

# IOWA HIGHER EDUCATION LOAN AUTHORITY

## Statement of Cash Flows Year ended June 30, 2010

	<u>General Fund</u>
Cash flows from operating activities:	
Cash receipts for fees	\$ 178,589
Cash payments for operating expenses	<u>(209,382)</u>
Net cash used by operating activities	<u>(30,793)</u>
Cash flows from investing activities:	
Interest received on investments	<u>23,241</u>
Net cash provided by investing activities	<u>23,241</u>
Net decrease in cash and investments	(7,552)
Cash and investments at beginning of year	<u>1,350,440</u>
Cash and investments at end of year	<u>\$ 1,342,888</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (11,169)
Depreciation	405
Increase in accounts payable	174
Interest income on investments	<u>(20,203)</u>
Net cash used by operating activities	<u>\$ (30,793)</u>

See accompanying notes to financial statements.

# IOWA HIGHER EDUCATION LOAN AUTHORITY

## Notes to Financial Statements June 30, 2010

### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Iowa Higher Education Loan Authority (the Authority) was created in 1982 under Chapter 261A of the Code of Iowa as a tax-exempt public instrumentality to promote, encourage, and further the investment of private capital in the provision of funds for financing of education loans for students attending participating private education institutions in the state of Iowa (the State). Chapter 261A was subsequently amended by the Iowa Legislature to enable the Authority to provide financing for the acquisition, construction, and renovation of educational facilities, structures, and equipment to private educational institutions in the State. The Authority is authorized to issue, and has issued, bonds to provide education and facilities loan financing. The Authority is also authorized to serve as a conduit issuer for facility bond financings. When utilized in this capacity, the Authority charges an issuance fee in connection with its role as issuer of the bonds.

The authority has no taxing authority, and bonds issued do not constitute a debt, liability, or obligation of the State or any political subdivision thereof. The Authority is a component unit of the State. The Authority's financial statements are included in the State's comprehensive annual financial report.

**Fund Accounting** – The Authority's accounts are organized primarily as funds, which are sets of self-balancing accounts for the assets, liabilities, net assets, and revenues and expenditures of the Authority's education and facilities loan programs. Restricted funds are used to account for proceeds from the education and facilities loan revenue and refunding bonds, the debt service requirements of the bonds, the related education and facilities loans purchased, and each program's expenses.

The Authority has an unrestricted general fund which accounts for the general and administrative functions for the Authority.

**Basis of Presentation** – The financial statements have been prepared using the economic resources measurement focus and the accrual method of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

In accordance with the provisions of GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority applies only Financial Accounting standards Board (FASB) Statements and Interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins issued on or before November 30, 1989.

**Cash Accounts** – At June 30, 2010 the carrying amount of the Authority's deposits with certain financial institutions were \$350,000 and \$300,644, including certificates of deposit of \$350,000 and \$300,644, respectively.

# IOWA HIGHER EDUCATION LOAN AUTHORITY

## Notes to Financial Statements (Continued) June 30, 2010

### 2. CASH AND INVESTMENTS

A summary of the Authority's cash and investments is as follows (cost approximates fair value):

Cash account	\$ 63,824
Money market account	277,410
Certificates of deposit maturing through May 2011	<u>1,001,654</u>
	<u>\$ 1,342,888</u>

The Authority's investment in the money market account is not rated.

### 3. CAPITAL ASSETS

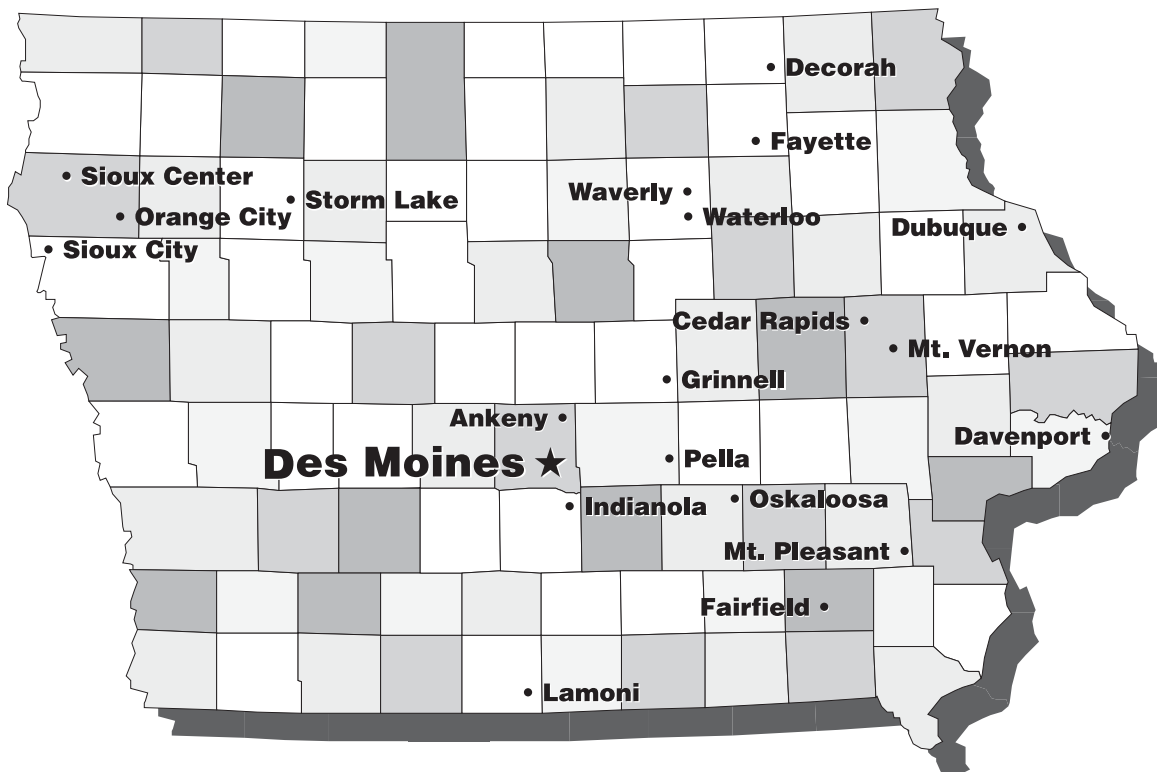
A summary of capital assets activity for the year ended June 30, 2010 follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, being depreciated				
Equipment	\$ 18,061	-	-	18,061
Total	<u>18,061</u>	<u>-</u>	<u>-</u>	<u>18,061</u>
Less accumulated depreciation	16,611	405	-	17,016
Capital assets, net	<u>\$ 1,450</u>	<u>(405)</u>	<u>-</u>	<u>1,045</u>

### 4. CONDUIT DEBT OBLIGATIONS

From time to time the Authority has issued bonds to provide property and equipment financing for private educational institutions. The Authority is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2010, the amount of such bonds outstanding aggregated approximately \$654,350,000.





1. Dordt College	Sioux Center
2. Briar Cliff University	Sioux City
3. Morningside College	Sioux City
4. Buena Vista University	Storm Lake
5. Wartburg College	Waverly
6. Upper Iowa University	Fayette
7. Luther College	Decorah
8. Clarke University	Dubuque
9. University of Dubuque	Dubuque
10. Loras College	Dubuque
11. Wartburg Theological Seminary	Dubuque
12. Coe College	Cedar Rapids
13. Mount Mercy University	Cedar Rapids
14. Palmer College of Chiropractic	Davenport
15. St. Ambrose University	Davenport
16. Grinnell College	Grinnell
17. Central College	Pella
18. William Penn University	Oskaloosa
19. Maharishi University of Management	Fairfield
20. Iowa Wesleyan College	Mt. Pleasant
21. Graceland University	Lamoni
22. Simpson College	Indianola
23. Faith Baptist Bible College & Seminary	Ankeny
24. AIB College of Business	Des Moines
25. Drake University	Des Moines
26. Grand View University	Des Moines
27. Des Moines University of Osteopathic Medicine	Des Moines
30. Mercy College of Health Sciences	Des Moines
31. Allen College	Waterloo
32. Cornell College	Mt. Vernon
33. Northwestern College	Orange City

*Argiro Student Center  
Maharishi University of Management  
Fairfield, Iowa*



Iowa Higher Education Loan Authority  
2010 Annual Report